

MONTANA LEGISLATIVE HISTORY

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Chapter 531 19 89

Bill H 525 S _____ Original bill & history ☒ C

H. Committee on Taxation

Hearing Date(s) Feb 09 ☒ C

Feb 28 ☒ C

_____ ☐ C

_____ ☐ C

Date Out Feb 28 ☒ C

S. Committee on Taxation

Hearing Date(s) Mar 29 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Mar 29 ☒ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

HOUSE FINAL STATUS

INCLUDE PREVENTIVE HEALTH SERVICES UNDER MEDICAL ASSISTANCE FOR MEDICAID

2/01	INTRODUCED		
2/02	REFERRED TO HUMAN SERVICES & AGING		
2/08	HEARING		
2/11	FISCAL NOTE REQUESTED		
2/16	COMMITTEE REPORT--BILL PASSED AS AMENDED		
2/16	FISCAL NOTE RECEIVED		
2/18	FISCAL NOTE PRINTED		
2/18	2ND READING PASSED	72	25
2/21	3RD READING PASSED	75	21
	TRANSMITTED TO SENATE		
2/28	REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY		
3/17	HEARING		
3/18	COMMITTEE REPORT--BILL CONCURRED		
3/20	2ND READING CONCURRED	48	0
3/22	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE		
3/27	SIGNED BY SPEAKER		
3/28	SIGNED BY PRESIDENT		
3/29	TRANSMITTED TO GOVERNOR		
4/03	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 417	EFFECTIVE DATE:	10/01/89

HB 525 INTRODUCED BY SWYSGOOD, ET AL.
 ESTABLISH VALUE OF TALC FOR NET PROCEEDS PROPERTY
 TAX AND RESOURCE INDEMNITY TRUST TAX PURPOSES

2/01	INTRODUCED		
2/02	REFERRED TO TAXATION		
2/09	HEARING		
3/01	COMMITTEE REPORT--BILL PASSED AS AMENDED		
3/03	FISCAL NOTE REQUESTED		
3/08	FISCAL NOTE RECEIVED		
3/09	FISCAL NOTE REQUESTED ON 2ND READING COPY		
3/10	FISCAL NOTE RECEIVED ON 2ND READING COPY		
3/11	2ND READING PASSED	92	0
3/11	FISCAL NOTE PRINTED ON 2ND READING COPY		
3/14	3RD READING PASSED	91	0
	TRANSMITTED TO SENATE		
3/15	REFERRED TO TAXATION		
3/29	HEARING		
3/30	COMMITTEE REPORT--BILL CONCURRED		
3/31	2ND READING CONCURRED	50	0
4/03	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE		
4/08	SIGNED BY SPEAKER		
4/10	SIGNED BY PRESIDENT		
4/10	TRANSMITTED TO GOVERNOR		
4/14	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 531	EFFECTIVE DATE:	4/14/89

HB 526 INTRODUCED BY IVERSON, ET AL.
 END ALTERNATIVE ENERGY ALLOCATION FROM COAL
 SEVERANCE TAX

HOUSE BILL NO. 525

INTRODUCED BY SWYSGOOD, HOFFMAN, ANDERSON, CAMPBELL,
GRADY, DAILY, PAVLOVICH, PATTERSON, THOFT, KASTEN,
GILBERT, O'KEEFE, KOEHNKE, PECK, HANSON, HARRINGTON,
QUILICI, MARKS

IN THE HOUSE

FEBRUARY 1, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

FIRST READING.

MARCH 1, 1989

COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 2, 1989

PRINTING REPORT.

MARCH 4, 1989

PASSED CONSIDERATION FOR THE DAY.

MARCH 6, 1989

PASSED CONSIDERATION FOR THE DAY.

MARCH 7, 1989

ON MOTION, CONSIDERATION PASSED
UNTIL 55TH DAY.

MARCH 9, 1989

ON MOTION, CONSIDERATION PASSED
UNTIL 57TH DAY.

MARCH 11, 1989

SECOND READING, DO PASS.

MARCH 13, 1989

ENGROSSING REPORT.

MARCH 14, 1989

THIRD READING, PASSED.
AYES, 91; NOES, 0.

TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 15, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

FIRST READING.

MARCH 30, 1989

COMMITTEE RECOMMEND BILL BE

CONCURRED IN. REPORT ADOPTED.

MARCH 31, 1989

SECOND READING, CONCURRED IN.

APRIL 3, 1989

THIRD READING, CONCURRED IN.
AYES, 50; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 3, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *525*
 2 INTRODUCED BY *Swagwood, Hoffman, Anderson,*
 3 *Langhelt, Dwyer, J. J. Landrum, Thomas, Hoff, ...*
 4 *Gilbert, ...* A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH THE VALUE
 5 OF TALC FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR
 6 RESOURCE INDEMNITY TRUST TAX PURPOSES; AMENDING SECTIONS
 7 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115,
 8 15-23-502, 15-23-503, 15-23-521, AND 15-38-103, MCA; AND
 9 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 10 APPLICABILITY DATE."
 11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 NEW SECTION. **Section 1.** Net proceeds for talc --
 14 statement -- value. (1) A statement of gross yield and
 15 value, required in 15-23-502, that is filed by a producer of
 16 talc must contain the following:
 17 (a) the name and address of the owner or lessee or
 18 operator of the mine, together with the name and address of
 19 any person owning or claiming a royalty interest in the
 20 mineral product of the mine or the proceeds derived from the
 21 sale of the mineral product, and the amount or amounts paid
 22 or yielded as royalty to each person during the period
 23 covered by the statement;
 24 (b) the description and location of the mine;
 25 (c) the number of tons of talc extracted, produced,

1 and treated or sold from the mine during the period covered
 2 by the statement;
 3 (d) the amount and character of the talc and the yield
 4 of the talc from the mine, measured in tons, yielded to the
 5 person engaged in mining and to each royalty holder, if any,
 6 during the period covered by the statement; and
 7 (e) the gross yield or value in dollars and cents.
 8 (2) (a) For the purposes of this section, the gross
 9 yield or value of talc is determined by multiplying the
 10 number of tons of talc reported under subsection (1)(c) by:
 11 (i) for the taxable year beginning January 1, 1989,
 12 \$4.25; and
 13 (ii) for the taxable years beginning January 1, 1990,
 14 and thereafter, the product obtained by multiplying \$4.25 by
 15 the quotient of the PCE for the first quarter of the taxable
 16 year for which the net proceed value is being calculated,
 17 divided by the PCE for the first quarter of the 1989 taxable
 18 year.
 19 (b) "PCE" means the implicit price deflator for
 20 personal consumption expenditures as published quarterly in
 21 the Survey of Current Business by the bureau of economic
 22 analysis of the U.S. department of commerce.
 23 NEW SECTION. **Section 2.** Gross value of product for
 24 talc. As used in this part, when referring to talc, "gross
 25 value of product" is the gross yield or value of talc as

determined in [section 1(2)].

Section 3. Section 15-6-131, MCA, is amended to read:

"15-6-131. Class one property -- description -- taxable percentage. (1) Class one property includes the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in [section 1]."

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements,

and machinery; and vehicles of all kinds, including but not limited to boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri;

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each

1 class of property.

2 (6) The assessed value of properties in 15-6-131
3 through 15-6-133 is as follows:

4 (a) Properties in 15-6-131, under class one, are
5 assessed at 100% of the annual net proceeds after deducting
6 the expenses specified and allowed by 15-23-503 or, if
7 applicable, as provided in [section 1].

8 (b) Properties in 15-6-132, under class two, are
9 assessed at 100% of the annual gross proceeds.

10 (c) Properties in 15-6-133, under class three, are
11 assessed at 100% of the productive capacity of the lands
12 when valued for agricultural purposes. All lands that meet
13 the qualifications of 15-7-202 are valued as agricultural
14 lands for tax purposes.

15 (d) Properties in 15-6-143, under class thirteen, are
16 assessed at 100% of the combined appraised value of the
17 standing timber and grazing productivity of the land when
18 valued as timberland.

19 (7) Land and the improvements thereon are separately
20 assessed when any of the following conditions occur:

21 (a) ownership of the improvements is different from
22 ownership of the land;

23 (b) the taxpayer makes a written request; or

24 (c) the land is outside an incorporated city or town.

25 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.

1 681, L. 1985.)"

2 **Section 5.** Section 15-23-103, MCA, is amended to read:

3 "15-23-103. Due date of reports and returns --
4 extensions. (1) Except as provided in subsection (2) and
5 15-23-602, each report or return described in 15-23-301,
6 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the
7 department on or before March 31 each year.

8 (2) Each report or return for a natural gas or oil
9 pipeline described in 15-23-301 must be delivered to the
10 department on or before April 15 each year.

11 (3) Each report described in 15-23-201 shall or
12 [section 1] must be delivered to the department before April
13 15 each year.

14 (4) The department may for good cause extend the time
15 for filing a return or report for not more than 30 days."

16 **Section 6.** Section 15-23-106, MCA, is amended to read:

17 "15-23-106. Transmission to the counties. (1) On or
18 before July 1, the department shall transmit to its agent in
19 each county a statement listing:

20 (a) the assessed value of railroad property, as
21 determined under 15-23-202, apportioned to the county,
22 including the length or other description of such property;

23 (b) the assessed value of utility property, as
24 determined under 15-23-303, apportioned to the county,
25 including the length or other description of such property;

(c) the assessed value of property of airline companies, as determined under 15-23-403, apportioned to the county; 90% of the value of the property of airline companies apportioned to any county by reason of a state airport being located in the county shall be stated separately from the remaining assessed value of the property of airline companies apportioned to the county;

(d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the county, as determined under 15-23-503, 15-23-505, [section 1], 15-23-603, and 15-23-605; and

(e) the assessed value of the gross proceeds from coal mines, as described in 15-23-701.

(2) The agent of the department shall enter the assessed values so transmitted in the assessment book in a manner prescribed by the department."

Section 7. Section 15-23-115, MCA, is amended to read:

"15-23-115. Interest. If the department determines that a taxpayer has incorrectly reported a value under 15-23-502, [section 1], 15-23-602, 15-23-701, or 15-23-802, the department shall inform its agents at the county level of such determination, and if any additional tax is due, there must be added thereto until paid in full interest at the rate of 1% a month or fraction thereof from the date the original tax was due and payable. In no instance will a

taxpayer subject to imposition of interest pursuant to this section be also subject to the penalty and interest provisions contained in 15-16-102."

Section 8. Section 15-23-502, MCA, is amended to read:

"15-23-502. Net proceeds tax -- statement of yield.

Every person engaged in mining, extracting, or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must on or before March 31 each year make out a statement of the gross yield and value of the above-named metals or minerals from each mine owned or worked by such person during the year preceding January 1 of the year in which such statement is made. Such statement shall be in the form prescribed by the department of revenue and must be verified by the oath of the person completing the statement or the manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership, and must be delivered to the department on or before March 31. Such Except as provided in [section 1], the statement shall show the following:

(1) the name and address of the owner or lessee or operator of the mine, together with the names and addresses of any and all persons owning or claiming any royalty interest in the mineral product of such mine or the proceeds

derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(2) the description and location of the mine;

(3) the number of tons of ore or other mineral products or deposits extracted, produced, and treated or sold from the mine during the period covered by the statement;

(4) the amount and character of such ores, mineral products, or deposits and the yield of such ores, mineral products, or deposits from such mine in constituents of commercial value; that is, commercially valuable constituents of the ores, mineral products, or deposits, measured by standard units of measurement, yielded to such person so engaged in mining and to each royalty holder, if any, during the period covered by the statement;

(5) the gross yield or value in dollars and cents;

(6) cost of extracting from the mine;

(7) cost of transporting to place of reduction or sale;

(8) cost of reduction or sale;

(9) cost of marketing the product and conversion of same into money;

(10) cost of construction, repairs, and betterments of mines and cost of repairs and replacements of reduction

works;

(11) the assessed valuation of reduction works for the calendar year for which such return is made;

(12) cost of fire insurance, workers' compensation insurance, boiler and machinery insurance, and public liability insurance paid for the mine, reduction works, or beneficiation process;

(13) cost of welfare and retirement fund payments provided for in wage contracts;

(14) cost of testing extracted minerals for the purpose of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the extracted minerals, and the costs incurred in Montana for engineering and geological services for existing mining operations but not including any such services beyond the stage of reduction and beneficiation of the minerals; and

(15) cost of mine reclamation."

Section 9. Section 15-23-503, MCA, is amended to read:

"15-23-503. **Net proceeds -- how computed.** (1) The department of revenue shall calculate from the returns the gross product yielded from such a mine and its gross value for the year covered by the statement and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining. Net Except as provided in

1 [section 1], net proceeds shall be determined by subtracting
2 from the value of the gross product ~~thereof~~ of the mine the
3 following:

4 (a) all royalty paid or apportioned in cash or in kind
5 by the person ~~so~~ engaged in mining;

6 (b) all ~~moneys~~ money expended for necessary labor,
7 machinery, and supplies needed and used in the mining
8 operations and developments;

9 (c) all ~~moneys~~ money expended for improvements,
10 repairs, and betterments necessary in and about the working
11 of the mine, except as hereinafter provided in this section;

12 (d) all ~~moneys~~ money expended for costs of repairs and
13 replacements of the milling and reduction works used in
14 connection with the mine;

15 (e) depreciation in the sum of 6% of the assessed
16 valuation of ~~such~~ the milling and reduction works for the
17 calendar year for which ~~such~~ the return is made;

18 (f) all ~~moneys~~ money actually expended for
19 transporting the ores and mineral products or deposits from
20 the mines to the mill or reduction works or to the place of
21 sale and for extracting the metals and minerals ~~therefrom~~
22 and for marketing the product and the conversion of the ~~same~~
23 product into money;

24 (g) all ~~moneys~~ money expended for insurance and
25 welfare and retirement costs reported in the statement

1 required in 15-23-502;

2 (h) all ~~moneys~~ money expended for necessary labor,
3 equipment, and supplies for testing minerals extracted to
4 satisfy federal or state health and safety laws or
5 regulations, for plant security in Montana, for assaying and
6 sampling the extracted minerals, for the cost of reclamation
7 at the site of the mine, and for engineering and geological
8 services conducted in Montana for existing mining operations
9 but not including ~~any-such~~ services beyond the stage of
10 reduction and beneficiation of the minerals.

11 (2) In computing the deductions allowable for repairs,
12 improvements, and betterments to the mine, the department
13 shall allow 10% of ~~such~~ the cost each year for a period of
14 10 years.

15 (3) ~~No--moneys~~ Money invested in mines or improvements
16 may not be allowed as a deduction unless all machinery,
17 equipment, and buildings represented by ~~such-moneys~~ the
18 money are returned to the county in which ~~such~~ the mine is
19 located for assessment purposes at the level of assessment
20 of all other property in ~~such~~ the county.

21 (4) ~~No--moneys~~ Money invested in the mines and
22 improvements during any year except the year for which such
23 statement is made and except as provided in this section may
24 not be included in ~~such~~ the expenditures, and ~~such~~ the
25 expenditures may not include the ~~salaries~~ salary or any

portion thereof of the salary of any person or officer not actually engaged in the working of the mine or superintending the management thereof of the mine."

Section 10. Section 15-23-521, MCA, is amended to read:

"15-23-521. **Examination of records by department.** The department of revenue ~~shall have the right and power may~~ at any time to examine the records of any person specified in this part as the same records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by such the person, and if, If from such the examination or from other information, said the department finds any statement or any material part thereof of a statement willfully false or fraudulent, said the department must assess in the same manner as provided for in 15-23-503 or [section 1]."

Section 11. Section 15-38-103, MCA, is amended to read:

"15-38-103. **Definitions.** As used in this chapter, the following definitions apply:

(1) "Department" means department of revenue.

(2) "Gross value of product" means, except as provided in [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

(3) "Mineral" means any precious stones or gems, gold,

silver, copper, coal, lead, petroleum, natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana.

(4) "Total environment" means air, water, soil, flora, and fauna and the social, economic, and cultural conditions that influence communities and individual citizens."

NEW SECTION. Section 12. Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. Section 13. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the provisions of Title 15, chapter 38, apply to [section 2].

NEW SECTION. Section 14. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1988.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for HB525, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to establish the value of talc for net proceeds property tax purposes and for resource indemnity trust tax purposes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- 1) The estimate of gross property tax value of miscellaneous mines is estimated to be \$43,651,000 in FY90 and \$43,651,000 in FY91 (REAC). The gross property value of talc for 1987 production was \$19,000,000. It is estimated that for FY90 and FY91 the gross property value of talc will also be \$19,000,000. The taxable value of miscellaneous mines is estimated to be 12.4% of gross value (REAC). Therefore, the estimated taxable value of talc mines is estimated to be \$2,356,000 in FY90 and FY91.
- 2) The estimate of the Resource Indemnity Trust Tax is \$4,584,000 for FY90 and \$4,324,000 for FY91 (REAC). Resource Indemnity Trust Tax receipts for 1987 talc production were \$44,000, on a mine mouth value of \$8,800,000; or 300,000 tons. It is estimated that the mine mouth value of talc will be \$8,800,000 in FY90 and FY91, and production is estimated to be 300,000 tons in each year.
- 3) The proposal sets the gross value of talc for 1989 taxable year at \$4.25 per ton. At 300,000 tons, the gross value of talc is estimated to be \$1,275,000 for the gross RITT value and for property taxable value.
- 4) The proposal adjusts the per ton value of talc using the change in the Personal Consumption Expenditures (PCE). The estimate of the PCE change for FY90 is 4.9%, and for FY91 is 5.19% (REAC). Therefore, for FY91 (1990 taxable year) the gross value of talc is estimated to be \$4.46 per ton.
- 5) The average mill levy for state, county and schools is 224.31 mills.
- 6) The proposal will have no effect on Department of Revenue expenditures.

FISCAL IMPACT:

Revenue Impact:	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
RITT	\$4,584,000	\$4,546,375	\$ (37,625)	\$4,324,000	\$4,286,687	\$ (37,313)
School Equalization	243,945	195,300	(48,645)	243,945	198,090	(45,855)
University System	32,526	26,040	(6,486)	32,526	26,412	(6,114)
Local Levies	939,514	752,165	(187,349)	939,514	762,911	(176,603)
Total	\$5,799,985	\$5,519,880	\$ (280,105)	\$5,539,985	\$5,274,100	\$ (265,885)

Ray Shackleford DATE 3/8/89
RAY SHACKLEFORD, BUDGET DIRECTOR
Office of Budget and Program Planning

Chuck Swysgood DATE 3/8/89
CHUCK SWYSGOOD, PRIMARY SPONSOR

Fiscal Note for HB525, as introduced

HB 525

Fund Information:

	<u>FY90</u>			<u>FY91</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Resource Idemnity Trust	\$4,584,000	\$4,546,365	\$ (37,630)	\$4,324,000	\$4,286,687	\$ (37,313)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

It is estimated that the taxable value of Miscellaneous Mine production will be reduced from \$5,421,000 to \$4,340,000 in FY90 and from \$5,421,000 to \$4,402,000 in FY91. Using the average millage for state, county and school mills in Madison County of 224.31 this results in a decline of taxes of \$242,479 in FY90 and \$228,572 in FY91.

The analysis of effect on property tax does not include recent audits by the Department of Revenue that increased the current law tax liability by \$1,300,000 annually.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB525, on second readingDESCRIPTION OF PROPOSED LEGISLATION:

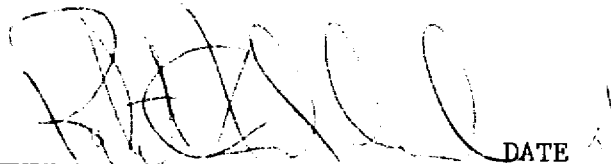
An act to establish the value of talc for net proceeds property tax purposes and for resource indemnity trust tax purposes; and providing an immediate effective date and a retroactive applicability date.

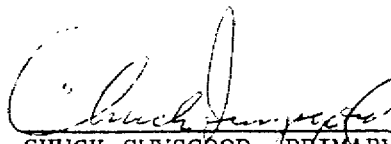
ASSUMPTIONS:

1. Based on prices reported for the last three years, the proposal will not affect property tax revenues. The average price for the last five years, however, was \$5.50. Hence, from a five year perspective the proposal would result in a slight reduction in property tax revenues.
2. The estimate of the Resource Indemnity Trust Tax is \$4,584,000 for FY90 and \$4,324,000 for FY91.(REAC) Resource Indemnity Trust Tax receipts for 1987 talc production were \$44,000, on a mine mouth value of \$8,800,000; or 300,000 tons. It is estimated that the mine mouth value of talc will be \$8,800,000 in FY90 and FY91, and production is estimated to be 300,000 tons in each year.
3. The proposal adjusts the per ton value of talc using the change in the Personal Consumption Expenditures(PCE). The estimate of the PCE change for FY90 is 4.9%, and for FY91 is 5.19%.(REAC) Therefore, for FY91(1990 taxable year) the gross value of talc is estimated to be \$4.46 per ton.
4. The proposal set the RITT tax rate for talc at \$25 plus 4% of gross value. Gross value is computed by using a per ton value of \$4.46 in FY91.
5. The proposal will have no effect on Department of Revenue expenditures.

FISCAL IMPACT:Revenue Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Resource Indemnity Trust Tax	\$4,584,000	\$ 4,591,000	\$ 7,000	\$ 4,324,000	\$ 4,333,520	\$ 9,520
<u>Fund Information:</u>						
RITT	\$ 4,584,000	\$ 4,591,000	\$ 7,000	\$ 4,324,000	\$ 4,333,520	\$ 9,520


 DATE 3-11-89
 BOB KUCHENBROD, ACTING BUDGET DIRECTOR
 Office of Budget and Program Planning


 DATE 3-11-89
 CHUCK SWYSGOOD, PRIMARY SPONSOR

Fiscal Note for HB525, on second reading

HB 525
 2nd Rdg.

on one commodity to fund the school foundation program but instead, there should be equal taxes on all commodities.

Tom Maddox spoke in opposition of the bill. (Exhibit 14).

Jerome Anderson asked the committee to consider the purpose of the tax. The money goes into the long range tax and the debt retirement fund. He urged a do not pass.

Questions From Committee Members: Rep. Patterson asked Mr. Maddox the wholesale price of a can of chewing tobacco. Mr. Maddox replied he did not have this information but he could state the price of snuff which is \$1.35. Rep. Patterson asked if he could supply that information to the committee.

Rep. Gilbert asked Rep. Moore if her bill did not tax all tobacco products except cigarettes. She replied this is true.

Closing by Sponsor: Rep. Moore stated that House Speaker Vincent supports the bill but he was not able to attend the hearing. She stated some states only tax cigarettes and no other products but Montana taxed all of them. She stated all the products should be taxed for the benefit of the children of Montana and hoped the committee will pass the bill.

DISPOSITION OF HOUSE BILL 494

Motion: None

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: None. HB 494 will be considered in executive session at a later date.

HEARING ON HOUSE BILL 525

Presentation and Opening Statement by Sponsor:

Rep. Chuck Swysgood, District 73, presented a proposed amendment to the bill. (Exhibit 15). He stated his bill is an act to establish the value of talc for net proceeds tax and the resource indemnity tax. Rep. Swysgood stated the value of talc has been the subject of litigation in Montana almost consistently since 1970 because this is a unique material that is not processed and sold in the same manner as oil, gas or metals which have been assessed under the net proceeds method. Under this tax, the starting point is the gross yield or value from mining. Other products are sold from mines or wells so a value can be established for the

product. Talc is not sold until it is processed into a consumer product such as baby powder. This causes difficulties for both the producer and the Department of Revenue in establishing an initial value for mining operations. Deductions are allowed from gross value in determining the net proceeds. Deductions have been expanded and modified by court decisions over the past twenty years because of the uniqueness of the product. HB 525 simply establishes by law a value for talc for tax purposes. The value of \$4.25 per ton for 1989 is somewhat higher than the state average for 1988. The bill will cause the price to increase each year according to increases in the consumer price index. This bill will provide a dependable tax basis for local government in Madison County where most of the mines are located and will also eliminate the litigation problems by both the state and the producer and taxes will not be paid under protest.

Testifying Proponents and Who They Represent:

Dennis Burr, Montana Taxpayer's Association
Gary Langley, Montana Mining Association
Glen Keyes, Phizer Corporation, Dillon
Ward Shanahan, Attorney, Helena
Rep. Robert Hoffman, House District 74
Ken Norddvelt, Director, Department of Revenue
Mike Lorang, Cyprus Industrial Minerals
Tim Walkrude, Montana Talc Company

Proponent Testimony:

Dennis Burr stated there is a need to clarify problems with the net proceeds tax which was originally designed for copper. Modifications were not made in this tax until 1972. One of the major problems with the net proceeds tax is that there can be production but no net proceeds since allowable deductions can wipe out the tax. HB 525 is designed to correct this situation. The major problem with talc is that there is no value at the mine and the tax is an arbitrary number for this reason. The \$4.25 per ton is a fair evaluation for the product. An evaluation has been placed on talc according to costs which is not an equitable method. If the talc is lying on the ground, it costs little so it is considered of little value but if it is mined, then it becomes much more valuable. Mr. Burr stated HB 525 will clarify this situation and urged support of the bill.

Gary Langley stated the mining industry was seeking consistency in taxation. Taxes are a significant part of any mine's operating costs. Mr. Langley stated the mining industry was not seeking any tax reduction. He said the industry was willing to pay their taxes as long as they are fair and consistent. He stated this bill will provide some of the consistency they are seeking. He said because of the diversity and changes in the industry, the time has come for

changes and modernization in the tax laws.

Glen Keyes urged support of HB 525 in order that the corporation he represents may plan and establish sound financial reasoning and future growth planning in Montana.

Mike Lorang urged support of HB 525 for financial planning for his company also.

Tim Walkrude urged support of HB 525.

Ward Shanahan stated he is an attorney in Helena and his practice has primarily been the mining industry tax problems. He urged support of the bill.

Rep. Robert Hoffman stated that people from Madison County were unable to testify for this bill due to bad weather and other problems. He stated that the net proceeds tax has been a very serious problem in Madison County since the value of talc represents from 10 to 15% of the total taxable value in the county. He stated Madison County supports the bill since it will enable them to have stability in the tax base.

Ken Nortveldt stated the bill is part of a bigger issue which is the basic problem with the net proceeds tax. He stated it was an income tax masquerading as a property tax and was not cost effective for the Department of Revenue. He said it is difficult to establish the value of talc and therefore difficult to establish an equitable tax on this product. He stated there was a need for a stable and a fair tax and not an income tax.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Giacometto asked Mr. Langley if other types of nonmetal mining might come under this same tax situation. Mr. Langley replied there had been discussions regarding this but at the present time, they have no solution as to how to work in other industrial metals. Mr. Shanahan responded one of the problems with the tax is determining the valuation point and the method of valuation to be used. There is a different cutoff point for different minerals. No rules establishing cutoff points or valuation methods have been adopted by the DOR. Rep. Giacometto stated if there is a lot of bills in this area, it is important to set the precedent now, therefore does this bill need to be modified and will the mechanism work. Dennis Burr responded stating he thought it would work quite

well.

Rep. Driscoll stated the DOR said the five year talc average was \$5.58, why use \$4.25. Mr. Burr replied the average was high because of higher costs to the company in mining the talc, not a higher value on the talc. There were two high years and three low years and the \$4.25 is the average of this.

Rep. Elliott asked about the value of the tax paid to the counties in the last fiscal year. Dennis Burr replied in 1985, \$326,569.00, in 1986, \$388,000.00, in 1987, \$318,400.00 and projected for 1988, \$389,000.00.

Closing by Sponsor: Rep. Swysgood stated insight had been demonstrated by the testimony into the complexities and problems that occur when mining operations are under the net proceeds tax system. Talc is a totally different type of mineral than any other mined in the state and the quality of the talc is very high. He stated this needed to be preserved and the businesses need the clarification and fairness of the tax which HB 525 will establish.

DISPOSITION OF HOUSE BILL 525

Motion: None

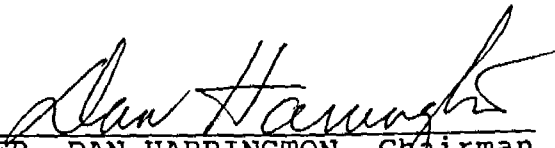
Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: None. HB 525 will be considered in executive session at a later date.

ADJOURNMENT

Adjournment At: 11:05 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

3415.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date February 9, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman			
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

EXHIBIT 15
DATE 2/9/89
HB 525
Rep. C. Swysgood

Amendments to House Bill No. 525
First Reading Copy

Requested by Rep. Chuck Swysgood
For the Committee on Taxation

Prepared by Dave Bohyer
February 9, 1989

1. Page 3, line 9.
Following: "or,"
Strike: "if applicable"
Insert: "for talc"

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 525DATE February 9, 1989SPONSOR Rep. Charles Swysgood

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Dennis BURR	MONTAX	✓	
Mike LORANG	CYPRUS	✓	
Tim Watrud	The Montana Talc Co	✓	
GLENN KAYES	PFIZER INC	✓	
Ward Shanahan	Pfizer Inc	✓	
Rich Marble	MDOR		
Marna Langley	Montana Mining Comm.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

of another corporation, it is not income tax. He reiterated this was poor policy.

ACTION: The motion DO PASS was CARRIED 10 TO 8 by roll call vote.

DISPOSITION OF HOUSE BILL 525 HEARD ON FEBRUARY 9:

DISCUSSION: Rep. Swysgood, District 73, sponsor of the bill, spoke to the committee regarding his bill. He proposed amendments to the bill.

MOTION: DO PASS on the bill and amendments by Rep. Giacometto.

DISCUSSION: Rep. Giacometto stated the amendments will ensure that the intent of the bill is followed and money will still be going to the state.

Rep. Raney stated that during the hearing, changes were mentioned for page 2, line 7, and changing divided by the PC. He asked Rep. Swysgood if this was part of his amendments. Rep. Swysgood replied this was not part of his amendments and the changes Rep. Raney referred to applied to establishing a taxable value on talc.

Rep. Giacometto stated he would make these amendments later.

The amendments PASSED by unanimous voice vote of the committee.

Rep. Giacometto then moved another amendment to change line 7, page 2, and line 8, page 2 to "net" and on page 3, line 9, change "gross yield." Rep. Gilbert asked that Dave Bohyer address this issue since he did not think the amendment was necessary. Mr. Bohyer stated that gross yield was defined and that is what the bill addressed. He said that the proceeds tax is applied by taking the net proceed of the value and calculating this on the gross yield of the product. He stated the bill accomplishes what the sponsor intended without this additional amendment.

Rep. Giacometto then withdrew his amendments.

Rep. Raney stated he was concerned with the \$4.25 rate.

Rep. Ream stated Ken Norddvelt had given a \$5.58 figure for this tax. Rep. Swysgood replied that he had gone back over a five year period and each year, with one exception, the amount was \$50,000.00 to \$70,000.00. The one exception was 1984, when \$684,000.00 was paid because of the DOR's interpretation of the net proceeds tax. This interpretation was that the ore was more valuable if there was greater difficulty obtaining it. He stated the \$4.25 figure was a five year average.

Rep. Ream asked about a fiscal note which the committee did not have. Rep. Swysgood stated he had asked for one but had not received one or heard anything more about it.

Rep. Driscoll asked Rep. Swysgood how many tons of talc are averaged in the state per year. Rep. Swysgood replied 100,000 to 96,000 tons which is \$425,000.00 in taxes approximately.

Rep. Ream asked Rep. Swysgood what the overall fiscal impact would be. Rep. Swysgood stated he did not see any fiscal impact to the state as far as revenues generated into the state because most of the money will go to the counties and the school districts. He stated the fiscal impact should be a minus because with the passage of this bill, it will eliminate the litigation that has been a constant problem.

Rep. Gilbert stated the fiscal impact of the bill would be positive and there is no necessity for a fiscal note.

Rep. Patterson made a motion to amend page 3, line 9, to strike "if applicable" and put in "for talc." Rep. Swysgood concurred and asked that the committee add this amendment.

The amendment was PASSED by unanimous voice vote.

The motion to DO PASS AS AMENDED was CARRIED by unanimous voice vote.

DISPOSITION OF SENATE BILL 17 HEARD ON FEBRUARY 1:

DISCUSSION: Senate Bill 17 was TABLED on February 1. Rep. Driscoll stated Senator Beck, the sponsor, does not want the people who did not license their cars last year to receive a refund. Chairman Harrington responded that Senator Beck would consent to an amendment regarding this issue.

Rep. Giacometto made the motion to take SB 17 OFF THE TABLE.

The motion was CARRIED by unanimous voice vote.

Amendments were proposed for SB 17. Rep. Giacometto moved the amendments. Motion CARRIED BY unanimous voice vote.

The motion to DO PASS AS AMENDED was made by Rep. Giacometto. The motion was CARRIED by unanimous voice vote.

DISPOSITION OF HOUSE BILL 457 HEARD ON FEBRUARY 2:

House Bill 457 was PASSED AS AMENDED on February 15 in the Taxation Committee. The bill was returned to the committee February 28.

MOTION: TO RECONSIDER HB 457 was made by Rep. Ream.

The motion was CARRIED by a 11 to 7 voice vote. Reps. Raney, Patterson, Elliott, Stang, Driscoll, Cohen and O'Keefe voted no.

The motion was made to TABLE HB 457 by Rep. Giacometto. The

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date February 28, 1989

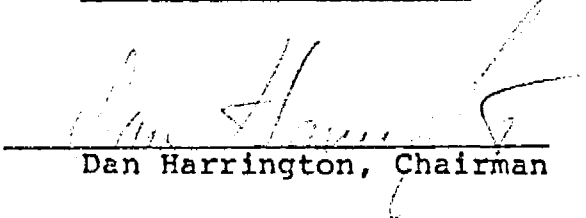
NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

STANDING COMMITTEE REPORT

February 28, 1989

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that House Bill 525 (first reading copy -- white) do pass as amended.

Signed: 

Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 6.

Following: "PURPOSES;"

Insert: "ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX
RATE FOR TALC;"

2. Title, line 8.

Following: "15-23-521,"

Strike: "AND"

Following: "15-38-103"

Insert: "AND 15-38-104"

3. Page 3, line 9.

Following: "or,"

Strike: "if applicable"

Insert: "for talc"

4. Page 14.

Following: line 7

Insert: "Section 12. Section 5-38-104, MCA, is amended to read:
15-38-104. Tax on mineral production. The (1) Except as provided in subsection (2), the annual tax to be paid by the a person engaged in or carrying on the business of mining, extracting, or producing a mineral shall be is \$25, together with plus an additional sum or amount computed on the gross value of product which may have been that was derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be deducted from any settlements under the lease or leases or division of

proceeds orders or other contracts.

(2) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing talc is \$25 plus an additional amount computed on the gross value of product for talc derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 4%."

Renumber: subsequent sections

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on March 29,
1989, at 8:00 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator Eck,
Senator Bishop, Senator Halligan, Senator Walker,
Senator Harp, Senator Gage, Senator Mazurek, Senator
Crippen, Senator Norman

Members Excused: Senator Severson

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: None

HEARING ON HOUSE BILL 525

Presentation and Opening Statement by Sponsor:

Representative Swysgood, District 73, sponsor, presented the
bill to the committee as per his testimony in Exhibit
#1.

List of Testifying Proponents and What Group they Represent:

Dennis Burr, Montana Taxpayers Association
Gary Langly, Executive Director, Montana Mining
Association
Gary Banberry, Administrative Manager, Cyprus Minerals
Fred Panion, Montana Talc Company
Ward Shanahan, Counsel for Feiser, Inc.
Director Ken Nordtvedt, Department of Revenue

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Dennis Burr, Montana Taxpayers Association, said there is no mine mouth value for talc. The talc is not sold until it is processed into powder and therefore it is difficult to establish a mine mouth value. The product as it is underground is more valuable than above ground due to the amount of effort and equipment needed to extract it. This bill increases the value of talc based solely on tonnage and insures that every year talc is mined there will be net proceeds paid on it. The bill also raises the RITT (Resource Indemnity Trust Tax) to 4%

Gary Langly, Executive Director, Montana Mining Association, said the bill clarifies the tax liability of talc mining and gives some consistency and reliability to the process. The talc industry has had to estimate its cost of production and taxes are an important part of that estimation. He said there is no reduction of taxes in the bill. The consistency will improve the talc industry's competitiveness in the world market.

Gary Banberry, Administrative Manager, Cyprus Minerals, expressed support for the bill as it solves a nightmare of administrative problems the talc industry has been dealing with for the past 15 years.

Fred Panion, Administrative Manager, Montana Talc, offered support for the bill. He said it will be a great relief to be able to accurately predict what their tax liability will be and also to know they can avoid the costly litigation in which the other two talc companies have been involved in the past.

Ward Shanahan, attorney for Feiser, Inc., said he has been involved with this problem with talc since 1973. Talc is a value added industry. The processing facilities of the companies is what gives the talc its value. This bill is a good solution to the problem of market value.

Director Ken Nordtvedt, Department of Revenue, said the DOR considers this a model bill the rest of the net proceeds process of tax assessments on both liquid and solid minerals. Arriving at a determination of net proceeds is one of the most contentious and litigious areas of DOR activity. He said the current process is not good business and he hoped this concept could be adopted in future sessions for the rest of the mineral industry.

Questions From Committee Members:

Senator Gage asked if royalties were calculated on the finished product.

Mr. Shanahan said they are contract royalties and they vary from mine to mine depending on the contract. The royalty owner will be required to file a return on the net proceeds he receives.

Closing by Sponsor:

Representative Swysgood closed by saying he feels the three year average and the 4% is a fair base. He noted the percentage will be averaged with the consumer price index every year. He said the net proceeds assessment has been a large problem for the mines and DOR for many years and it needs to be clarified and a system put in place. He urged the committee to pass the bill.

HEARING ON HOUSE BILL 415

Presentation and Opening Statement by Sponsor:

Representative Patterson, District 97, sponsor, said this bill exempts hand held tools from taxation. Currently, hand held tools are taxed in both Class 7 and Class 8. As an example, a farmer's hammer will be taxed at 8% in Class 7, while a mechanic's hammer will be taxed at 11% in Class 8, while a housewife doesn't pay any tax at all on her hammer. He submitted the form for farm and livestock reporting for the record (Exhibit #2). Representative Patterson noted the House amended the bill to exempt the first \$5000 to prevent Burlington Northern from receiving the largest percentage of the tax break.

List of Testifying Proponents and What Group they Represent:

Gene Fenderson, Montana Trades Unions
Director Ken Nordtvedt, Department of Revenue
Valerie Larson, Montana Farm Bureau

List of Testifying Opponents and What Group They Represent:

None

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 525

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Walker MOVED House Bill 525 Be Concurred In As Amended. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 415

Discussion: None

Amendments and Votes:

Senator Halligan MOVED the exemption be raised to \$15,000 and the title amended to reflect the change. The motion CARRIED unanimously.

Jeff Martin said a technical amendment had been given to him by a Legislative Council editor. He felt he needed to check further on it before final action was taken on the bill.

Recommendation and Vote: None

DISPOSITION OF HOUSE BILL 603

Discussion:

Senator Harp MOVED to reconsider the action taken on HB 603 for purposes adding a technical amendment from the Department of Revenue. The motion CARRIED unanimously.

Amendments and Votes:

Senator Mazurek MOVED to adopt the amendments as per Exhibit #4. The motion CARRIED unanimously.

Senator Harp MOVED to amend page 15, lines 10-14 by striking "However" through the end of the sentence on line 14. (See amendment #9 on attached standing committee report). The motion CARRIED unanimously.

ROLL CALL

TAXATION

COMMITTEE

51ST. LEGISLATIVE SESSION -- 1989

Date 3/29/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN			X
SENATOR SEVERSON			X
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

March 29, 1959

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 525 (third reading copy -- blue), respectfully report that HB 525 be concurred in.

Sponsor: Swysgood (Hazurek)

BE CONCURRED IN

Signed: _____

Bob Brown

Bob Brown, Chairman

*4/1/59
5:12 PM
4: PM*



The Big Sky Country

SENATE TAXATION

EXHIBIT NO. 1

DATE 3/29/89

BILL NO. HB 525

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE CHUCK SWYSGOOD

HELENA ADDRESS:
CAPITOL STATION
HELENA, MONTANA 59620-0144

HOME ADDRESS:
206 LEGGET
DILLON, MONTANA 59725

COMMITTEES:
BUSINESS & LABOR
EDUCATION & CULTURAL
RESOURCES
HIGHWAYS & TRANSPORTATION

February 8, 1989

TESTIMONY

HOUSE BILL 525 IS A BILL TO ESTABLISH THE VALUE OF TALC MINED IN MONTANA FOR NET PROCEEDS PROPERTY TAX AND FOR THE RESOURCE INDEMNITY TRUST TAX.

THE VALUE OF TALC HAS BEEN THE SUBJECT OF LITIGATION IN MONTANA ALMOST CONSTANTLY SINCE 1970. THAT IS BECAUSE IT IS A UNIQUE MATERIAL THAT IS NOT PROCESSED AND SOLD IN THE SAME MANNER AS OIL, GAS OR METALS WHICH HAVE BEEN ASSESSED UNDER THE NET PROCEEDS METHOD.

UNDER THE NET PROCEEDS TAX, THE STARTING POINT IS THE GROSS YIELD OR VALUE FROM MINING. OTHER PRODUCTS ARE SOLD FROM MINES OR WELLS SO A VALUE CAN BE ESTABLISHED FOR THE PRODUCT. TALC IS NOT SOLD UNTIL IT IS PROCESSED INTO A CONSUMER PRODUCT SUCH AS BABY POWDER. THIS CAUSES DIFFICULTIES FOR BOTH THE PRODUCER AND THE DEPT. OF REVENUE IN ESTABLISHING AN INITIAL VALUE FROM MINING OPERATIONS. DEDUCTIONS ARE ALLOWED FROM GROSS VALUE IN DETERMINING NET PROCEEDS. THESE DEDUCTIONS ARE LISTED ON PAGE ELEVEN OF THE BILL. AGAIN, BECAUSE OF THE UNIQUE CHARACTERISTICS OF THE TALC INDUSTRY, DEDUCTIONS HAVE BEEN EXPANDED AND MODIFIED BY COURT DECISIONS OVER THE PAST TWENTY YEARS.

HB 525 CUTS THROUGH THE PROCESS OF ESTABLISHING VALUE AND CALCULATING DEDUCTIONS AND SIMPLY ESTABLISHES BY LAW A VALUE FOR TALC FOR TAX PURPOSES. THE VALUE OF \$4.25 PER TON FOR 1989 IS SOMEWHAT HIGHER THAN THE STATE AVERAGE FOR 1988. THE BILL WILL CAUSE THE PRICE TO INCREASE EACH YEAR ACCORDING TO INCREASES IN THE INDEX OF PERSONAL CONSUMPTION EXPENDITURES MEASURED BY THE U. S. DEPARTMENT OF COMMERCE.

HB 525 WILL PROVIDE A DEPENDABLE TAX BASE FOR LOCAL GOVERNMENTS IN MADISON COUNTY WHENEVER TALC IS MINED. IT WILL BE FREE OF LITIGATION FOR BOTH THE STATE AND THE PRODUCERS AND

SENATE TAXATION

EXHIBIT NO. 1

DATE 3/29/89

BILL NO. HB 525

PAGE TWO
FEBRUARY 8, 1989
CHUCK SWYSGOOD

TAXES WILL NOT BE PAID UNDER PROTEST. THIS BILL WILL HAVE A POSITIVE EFFECT ON ALL PARTIES CONCERNED WITH THE TAXATION OF THE TALC MINED IN MONTANA; THE PRODUCER, THE LOCAL GOVERNMENTS WHO DEPEND ON PROPERTY TAX REVENUE AND THE DEPARTMENT OF REVENUE WHICH ADMINISTERS THE TAX.

I URGE YOUR SUPPORT FOR HOUSE BILL 525.

DATE 3/29/89

COMMITTEE ON Separation

VISITORS' REGISTER

[illegible]